

781—16.11(12D) Withdrawals and cancellation. Iowa Code section 12D.5 provides that any participant may cancel a participation agreement at will. This rule establishes the criteria for withdrawals from or the cancellation of a participation agreement.

16.11(1) A participant may at any time withdraw a portion of the amount in an account or cancel a participation agreement, without cause, by submitting to the program administrator the appropriate form.

16.11(2) If the participation agreement is canceled, the participant is entitled to the amount in the account, subject to any applicable fees and expenses. The balance shall be mailed or otherwise sent to the participant after receipt by the program administrator of the appropriate form.

16.11(3) Funds that are distributed to a participant pursuant to this rule shall be reported to the IRS on a 1099Q in the tax year in which such distribution is made. The participant will receive the 1099Q for any distributions made to the participant. The beneficiary will receive the 1099Q for any distributions made to the beneficiary or institution of higher education. The individual receiving the 1099Q must determine whether the distribution was qualified or nonqualified. Nonqualified distributions may be subject to state and federal taxes and penalties.

16.11(4) Pursuant to Iowa Code section 642.2, funds held by the program administrator under the Iowa 529 plan are not subject to garnishment.